

FEDERAL EMERGENCY MANAGEMENT AGENCY
MODIFICATION OF INTERAGENCY AGREEMENT

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1. INTERAGENCY AGREEMENT NO. HSFEHQ-07-X-0249	2. MODIFICATION NO. P00007	3. EFFECTIVE DATE See Block 12	4. PROJECT/REQUISITION NO.
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5. ISSUED BY Federal Emergency Management Agency Office of Acquisition Management 500 C Street, S.W., PP 5th Floor Washington DC 20472	6. AGENCY PERFORMING SERVICE HOUSING AND URBAN DEVELOPMENT, UNITED STATES DEPT OF H U D 451 7TH ST SW WASHINGTON DC 204100001
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7. PROJECT TITLE
 DHAP - Katrina Updated DHAP closeout fee procedures

8. ACCOUNTING AND APPROPRIATION DATA (if required)
 N/A no funds required for this modification

9. DESCRIPTION OF MODIFICATION

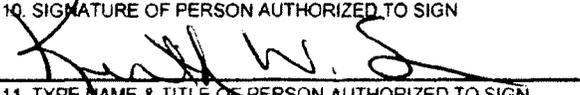
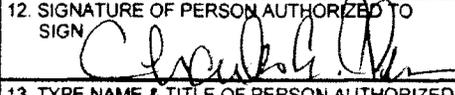
The purpose of this no cost modification is to incorporate the attached DHAP Katrina Transitional Closeout Plan dated February 19, 2009.

See Attached documents:
 1) DHAP Katrina Transitional Closeout Plan 2) DHAP Transitional Funding Budget Estimate as of February 20, 2009.

- All other terms and conditions remain unchanged and in full force and effect --

END OF MOD P00007

Except as provided herein, all other terms and conditions of the agreement remain in full force and effect.

10. SIGNATURE OF PERSON AUTHORIZED TO SIGN 	DATE 2/20/09	12. SIGNATURE OF PERSON AUTHORIZED TO SIGN 	DATE 2/20/09
11. TYPE NAME & TITLE OF PERSON AUTHORIZED TO SIGN KEITH W. SURBER Contracting Officer	13. TYPE NAME & TITLE OF PERSON AUTHORIZED TO SIGN Charles E. Clemons Contracting Officer FEDERAL EMERGENCY MANAGEMENT AGENCY		

**FEMA-HUD
DHAP Katrina Transitional Closeout Plan
Terms and Conditions
Inter-Agency Agreement Amendment
IAA Number HSFEHQ-07-X-0249
Modification P00007**

The purpose of this amendment to IAA Number HSFEHQ-07-X-0249, P00007("IAA") is to execute a six-month transitional closeout plan, including case management at the request of the states, agreed upon by FEMA and HUD for families whose rental assistance under the Disaster Housing Assistance Program for Hurricanes Katrina and Rita (DHAP – Katrina) would otherwise end as of March 1, 2009, and have not been transitioned to HUD's Housing Choice Voucher program or any other federal or state housing assistance program. Legal authority for the transitional closeout plan is described in Section 3.0 of the IAA. Sections 1.0, 5.9, 16.0, and 19.0 of the IAA are hereby amended to extend performance of payment for direct rental assistance from March 1, 2009 to August 31, 2009. The end date and all other requirements of all other sections of the IAA remain unchanged. By this amendment, HUD explicitly agrees to extend the services of those HUD staff described in Section 5.2.

All existing grant agreements between FEMA and Public Housing Agencies (PHAs) are scheduled to expire February 28, 2009. All Disaster Rent Subsidy Contracts between PHAs and participating landlords also end on February 28, 2009.

Given the short period of time to implement this transition, PHAs will not have sufficient time to execute a new or amended Disaster Rent Subsidy Contract with existing landlords before March 1, 2009. Therefore FEMA, through this IAA Amendment, is authorizing HUD and its PHAs to make or tender transitional payments to landlords without an executed Disaster Rent Subsidy Contract and before effecting other binding agreements between PHAs and landlords as set forth herein.

Concurrent with payment by check or an Electronic Fund Transfer (EFT) for rent subsidies for March, 2009, the PHAs will send each landlord a letter setting forth HUD's intent to continue rent subsidies for up to six months during the transitional period. The letter will be sent by the PHAs via certified or registered mail (or another mechanism shall be used to validate that the Landlord has received notice of the terms of the letter) and shall:

- (1) explain HUD's intent to continue rent subsidies for up to six months during the transitional period, and explaining the amended Incremental Rent Transition;
- (2) state that a landlord's deposit or acceptance of the tendered transitional payment for March and for each subsequent month (up to six months), and – particularly in the case of an electronic transmission of a transitional payment – failure to return the transitional payment in whole (or in part with respect to any individuals or households who are no longer tenants or for whom the landlord no longer wishes to participate in the program), will constitute contractual acceptance in whole (or in part with respect to particular individuals or households) by the landlord of an agreement for that month to provide the specified dwelling unit for the tenant;

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- (3) state that any landlord accepting transitional rent subsidy payments for any tenant agrees to continue providing housing services to the tenant for up to six months or until the tenant no longer qualifies for transitional assistance or chooses no longer to live at the premises, and that the landlord must promptly report to the PHA when the tenant vacates the unit or begins receiving a non-DHAP rental subsidy; and
- (4) state that the landlord has no right to the federal funds constituting the transitional rent subsidy for any given month unless the landlord accepts the contractual obligation to provide the specified dwelling unit to the tenant for that month, and that failure to return the federal funds if the landlord does not provide commensurate housing services as set forth therein is a federal offense subject to prosecution.

Landlords will be directed to return a signed copy of the letter acknowledging that they will abide by its terms and conditions. PHAs' tendering of the transitional rent subsidy payment in any month of the amended 6 month period is not contingent on any landlord returning the signed letter. Nor is the formation of a binding agreement between a PHA and landlord contingent on the landlord returning the signed letter; a binding agreement is formed upon the landlord's acceptance of (or failure to return within the specified time) tendered transitional payments. However, if a landlord does not return the letter before May 2009, the PHA will contact the family and landlord before tendering or making the May 2009 transitional rent subsidy payment to verify that these funds are being used to house eligible tenants at the specified address.

Under this IAA amendment, HUD and the PHAs are not liable to FEMA for payments to landlords during this transitional closeout period as a result of those payments having been made without a Disaster Rent Subsidy Contract. FEMA and HUD believe the risk associated with this approach is mitigated to a great extent because most of the landlords currently participating in the DHAP program have on-going business relationships with PHAs, and oversight controls will be put into place to recover any improper payments or inadvertent overpayments. HUD and PHAs are implementing additional cost-effective controls to ameliorate this risk. The controls include, but are not limited to, the following:

- PHAs shall properly notify families and landlords of payments to be made and describe the permitted use of such payments;
- PHAs shall send information letters to all families concurrently with payment. If the letter to the family is returned because the family has moved, the PHA shall attempt to contact the family and the owner/landlord. If unable to contact, the PHAs will cease payments until the family contacts the PHA and provides a new lease to arrange for future payments (this triggers PHA controls requiring PHAs to recoup payments made to previous landlords where families in DHAP did not occupy the units during the timeframe covered by the payment). The PHA will update the landlord information in DIS and issue the TRP to the new landlord;
- If mail to the landlord is undeliverable, and the PHA is unable to confirm landlord information, the PHA will attempt to contact the family and landlord. If still unable to

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contact, the PHAs will cease payments until the family or landlord contacts the PHA. HUD will subsequently provide FEMA with reports that detail submission of these letters relative to tenants under lease;

- PHAs will work with HUD to match data against HUD databases to preclude duplicate payments or multiple housing assistance program enrolments;
- HUD's Office of the Inspector General (OIG), will work in coordination with DHS OIG, in the collection of improper payments made to landlords; and
- Commencing a public notification campaign to inform families and landlords of the terms of the transition period.

PHAs will pay transitional temporary rental assistance directly to landlords on behalf of eligible families for whom a rental assistance payment was made for the month of February 2009, except for those families already receiving alternative federal or state housing assistance or those families who are no longer in DHAP. Such assistance shall begin on March 1, 2009, and continue for up to six months (ending August 31, 2009). In order to do this, HUD, on behalf of FEMA, will negotiate an extension to all existing grant agreements with PHAs for a period of six months. If a PHA does not choose to participate in the closeout program, HUD, on behalf of FEMA, will enter into a grant agreement with an existing PHA capable of performing the direct payment function.

The cost of the transitional assistance, along with PHA administrative costs and HUD support costs are outlined in the attached budget. The cost is approximately \$65.4 million.

Transitional payments for March 2009 will equal the amount of rental assistance paid under DHAP Katrina for the month of February 2009 reduced by \$100 per household. The transitional payment on behalf of the family will be reduced by an additional \$100 every subsequent month. Thus, a family that received rental assistance of \$500 in February 2009 will receive a March 2009 transitional payment of \$400, an April transitional payment of \$300 and so on. In no case may the transitional payment exceed the lease rent charged by the owner.

Transitional payments will be made to the landlords for the lesser of six months or until the transitional payment is zero as a result of the monthly reductions of \$100. No landlord may accept payment for any month following the month the family vacates the unit. Nor may the landlord accept payments if the landlord receives a duplicative federal or state rent subsidy payment on behalf of the family. PHAs will recoup such payments and shall refer to HUD's OIG those landlords that do not comply for action to be undertaken in coordination with the DHS OIG.

HUD Responsibilities:

HUD will develop the amendment to the grant agreements and will execute those amendments with participating PHAs on behalf of FEMA using the FEMA approved grant agreement amendment template. HUD will authorize PHAs to make transitional rental assistance payments

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to landlords, on behalf of eligible families, beginning March 1, 2009 for DHAP families that (1) received a rental assistance payment under DHAP Katrina for the month of February 2009 and (2) are not receiving alternative federal or state housing assistance.

HUD will operate this program in accordance with Standard Operating Procedures (SOPs) developed by HUD and which shall be submitted to FEMA for approval. As the SOPs are critical to the timely and successful operation of the transitional closeout, the parties agree that FEMA will respond within 24 hours of receipt of the SOPs.

States may request a grant through HUD to partner with a PHA(s) in delivering case management services to families during the transitional closeout. Upon FEMA approval of funding of such requests, HUD, on behalf of FEMA is authorized to enter into grant agreements with the PHAs.

HUD must provide consolidated reports of accounts and other records, documents and information, as required by the IAA, SOPs, and their amendments. HUD will aggregate and submit information on actual DHAP-Katrina leased units and actual rental subsidy costs associated by family (FEMA registration ID), to FEMA each month. Upon conclusion of the PHA's DHAP-Katrina program and the transitional closeout, HUD will reconcile reported costs and leasing from the VMS and DHAP-Katrina databases. Actual rent subsidy payments will be settled through VMS reporting. If the costs exceed the funding provided by HUD, a final underpayment will be processed. If the funding provided by HUD exceeds reconciled costs, the PHA will remit the overpayment to HUD for return to FEMA.

FEMA Responsibilities:

FEMA will pay an administrative fee of \$1,000 per family transitioned to cover all PHA administrative costs for the agreed six-month period beginning March 1, 2009. DHAP USA, the agency that will manage families for PHAs that will not be able to participate, will receive \$1,200 per family due to increased costs of administration and the cost associated with the continuation of a website and expanded call center capacity for families and landlords.

FEMA must approve the template for the grant agreement amendments prior to HUD executing these agreements. As the grant agreement is critical to the timely and successful operation of the transitional closeout, the parties agree that FEMA will respond within 24 hours of receipt of the grant agreement.

FEMA shall make HUD support costs available no later than March 1, 2009, after required congressional notifications have been made.

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FEMA shall make the PHA administrative fees, Louisiana case management funds needed for the six-month transitional closeout plan, and the first two months of rental assistance payments to PHAs available to HUD no later than February 25, 2009.

**DHAP Transitional Funding
Budget Estimate as of February 12, 2009**

	Families assisted	Total HAP	Adm Fees	Case Management - Louisiana Only	HUD Support Costs	Total Cost	Assumptions
			\$0	\$0	\$4,850,000	\$4,850,000	Estimate for February payments based on latest available confirmed data as of January 2009. Provide Flat Adm Fee to PHAs upfront. Beginning HAP estimated at \$615
March Transition Payment	25,000	\$12,875,000					Assumes 2,500 families convert to the HCV program by 2/25/2009 and 3,848 families with HAP less than \$100 will not receive assistance. Case management priced out for the State of Louisiana only. LA account for about 70% of the DHAP population. Assumes 7,500 families cumulative convert to the HCV program by 3/25/2009. Assumes 13,500 families cumulative convert to the HCV program by 4/24/2009. Assumes 3,500 families above the Department's current forecast actually qualify for the HCV program and that all 17,000 families convert to the HCV program by 5/22/2009 and Congress approves the Department's request to use \$35 million in Tenant Protection funds for disaster purposes.
April Transition Payment	20,000	\$8,300,000	\$25,540,200	\$1,610,000		\$40,025,200	
May Transition Payment	14,000	\$4,410,000	\$0	\$1,288,000		\$9,588,000	
June Transition Payment	10,500	\$2,257,500	\$0	\$901,600		\$5,311,600	Assumes 3,500 families above the Department's current forecast actually qualify for the HCV program and that all 17,000 families convert to the HCV program by 5/22/2009 and Congress approves the Department's request to use \$35 million in Tenant Protection funds for disaster purposes.
July Transition Payment	10,500	\$1,207,500	\$0	\$676,200		\$2,933,700	
August Transition Payment	10,500	\$157,500	\$0	\$676,200		\$1,883,700	
		\$29,207,500	\$25,540,200	\$5,828,200	\$4,850,000	\$65,425,900	Assumes no additional families qualify for the HCV program. Assumes no additional families qualify for the HCV program.

Note 1: We believe that once the Department announces that checks will be paid directly to families the process of converting families to HCV will slow considerably specially for Phase 2 and Phase 3 families who currently pay \$0 rent. Under the HCV program, families must pay 30% of their income for rent whereas under the transitional program they only have to pay \$100 towards their rent. Anyone with incomes above \$333 per month would benefit from not immediately converting.